800 MHz Reconfiguration
Statement of Program Expenditures
December 31, 2015

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OVERVIEW

800 MHz Transition Administrator, LLC ("TA")[2] provides to the Federal Communications Commission ("FCC") the audited Statement of Program Expenditures, reporting funds expended in connection with the reconfiguration of the 800 MHz band for the year ended December 31, 2015, and during the period from August 6, 2004 ("Inception") through December 31, 2015. Pursuant to the FCC's *Reconfiguration Orders*,[3] the TA, as the manager of the reconfiguration effort, is required to submit on an annual basis an audited statement of reconfiguration funds expended, including salaries and expenses of the TA.[4]

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[2] 800 MHz Transition Administrator, LLC is the Transition Administrator for the reconfiguration of the 800 MHz band as mandated by the FCC. 800 MHz Transition Administrator, LLC has contracted with Deloitte Consulting LLP, Squire Patton Boggs (US) LLP, and Baseline Wireless Services, LLC (each a "TA Member" and collectively "TA Members") to perform the duties of the TA.

[3] Improving Public Safety Communications in the 800 MHz Band, *Report and Order, Fifth Report and Order, Fourth Memorandum Opinion and Order, and Order*, 19 FCC Rcd 14969 (2004), *amended by Erratum*, WT Docket No. 02-55 (rel. Sep. 10, 2004); *Second Erratum*, 19 FCC Rcd 19651 (2004); *Third Erratum*, 19 FCC Rcd 21818 (2004) ("Report and Order"); *Supplemental Order and Order on Reconsideration*, 19 FCC Rcd 25120 (2004), *amended by Erratum*, WT Docket No. 02-55 (rel. Jan. 19, 2005); *Memorandum Opinion and Order*, 20 FCC Rcd 16015 (2005); *Second Memorandum Opinion and Order*, 22 FCC Rcd 10467 (2007), *amended by Erratum*, WT Docket No. 02-55 (rel. July 26, 2007); *Third Memorandum Opinion and Order*, 22 FCC Rcd 17209 (2007); *Second Report and Order*, 23 FCC Rcd 7605 (2008), *amended by Erratum*, WT Docket No. 02-55 (rel. May 28, 2008); *Fourth Memorandum Opinion and Order*, 23 FCC Rcd 18512 (2008); *Third Report and Order and Third Further Notice of Proposed Rulemaking*, 25 FCC Rcd 4443 (2010); *Fourth Report and Order*, 26 FCC Rcd 1937 (2011); *Fifth Report and Order*, 28 FCC Rcd 4085 (2013); *Memorandum Opinion and Order and Order of Proposed Modification*, 29 FCC Rcd 11549 (2014) ("September 2014 Order") (collectively "Reconfiguration Orders").

[4] *Report and Order*, 19 FCC Rcd at 15073, 47 C.F.R. § 90.676(b)(4).

INDEPENDENT AUDITOR'S REPORT

To 800 MHz Transition Administrator, LLC:

Report on the Statement of Program Expenditures

We have audited the accompanying Statement of Program Expenditures of the 800 MHz Reconfiguration Program (Program) for the year ended December 31, 2015, and for the period August 6, 2004 (Inception) through December 31, 2015, and the related notes.

Management's Responsibility for the Statement of Program Expenditures

Sprint Corporation ("Sprint") and the 800 MHz Transition Administrator, LLC are responsible for the preparation and fair presentation of the Statement of Program Expenditures in accordance with the cash basis method of accounting described in Note II; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the Statement of Program Expenditures in the circumstances. Sprint and the 800 MHz Transition Administrator, LLC are also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Statement of Program Expenditures that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the Statement of Program Expenditures based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Statement of Program Expenditures is free from material misstatement.

An audit involves performing procedures to obtain audit evidence supporting the amounts and disclosures in the Statement of Program Expenditures. The procedures selected depend on the auditor's judgment, including an assessment of the risks of material misstatement of the Statement of Program Expenditures, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to Sprint's and the 800 MHz Transition Administrator, LLC's preparation and fair presentation of the Statement of Program Expenditures in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Sprint's and the 800 MHz Transition Administrator, LLC's internal controls. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the Statement of Program Expenditures.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the Statement of Program Expenditures referred to above presents fairly, in all material respects, the Program expenditures of the 800 MHz Reconfiguration Program for the year ended December 31, 2015, and for the period from August 6, 2004 (Inception) through December 31, 2015, on the basis of accounting described in Note II.

Basis of Accounting

We draw attention to Note II of the Statement of Program Expenditures, which describes the basis of accounting. The Statement of Program Expenditures was prepared using the cash basis method of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with the accounting requirements of the Program. Our report is not modified with respect to that matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2016, on our consideration of Sprint's and the 800 MHz Transition Administrator, LLC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and other matters, including the requirements of the Federal Communications Commission *Improving Public Safety Communications in the 800 MHz Band,* Report and Order, Fifth Report and Order, Fourth Memorandum Opinion and Order, and Order, 19 FCC Rcd 14969 (2004), as amended, modified and supplemented. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Sprint's and the 800 MHz Transition Administrator, LLC's internal control over financial reporting and compliance.

CohnReznick LLP

Bethesda, Maryland
November 30, 2016

800 MHz Reconfiguration
Statement of Program Expenditures
For the Year Ended December 31, 2015
and for the Period from
August 6, 2004 (Inception) through December 31, 2015
(in thousands, unless otherwise noted)

	For the Year Ended December 31, 2015	Inception Through December 31, 2015
800 MHz Incumbent Reconfiguration Costs (Note III)	$ 216,204	$ 1,352,904
Sprint Costs (Note IV)	23,531	258,565
Letter of Credit Fees (Note V)	12,488	305,973
TA Fees & Expenses (Note VI)	19,001	329,124
Total Program Expenditures	$ 271,224	$ 2,246,566

See Notes to the Statement of Program Expenditures.

I. 800 MHz RECONFIGURATION PROGRAM DESCRIPTION

A. Program Background

The Federal Communications Commission ("FCC") on August 6, 2004 ("Inception") ordered the reconfiguration of the 800 MHz band ("800 MHz Reconfiguration" or "Program") to eliminate interference to critical public safety communications from commercial wireless carriers operating in the 806-824 MHz/851-869 MHz band (the "800 MHz band").[5] In the past, public safety and other "high-site" radio systems – including those used by police, firefighters, emergency services, utilities, and businesses operating in the 800 MHz band – increasingly experienced equipment interference problems and communications "dead zones" as a result of technically incompatible "low-site" commercial wireless systems operating in the same or adjacent spectrum bands. This issue became more problematic as low-site systems such as those of Sprint Corporation ("Sprint")[6] grew and high-site 800 MHz public safety systems became more widespread.

In order to alleviate the interference between the two types of systems, the 800 MHz Reconfiguration is relocating certain licensees operating 800 MHz systems ("800 MHz Incumbent Licensees") to lower segments of the 800 MHz band and commercial cellular networks to higher segments. Additionally, an "Expansion Band" and a "Guard Band" have been created to serve as a buffer between the different systems. The Program is being overseen by a Transition Administrator, the 800 MHz Transition Administrator, LLC ("TA").

Pursuant to the *Report and Order*, completion of the 800 MHz Reconfiguration was initially required by June 26, 2008. Certain 800 MHz Incumbent Licensees located close to the United States-Canada and the United States-Mexico borders could not reconfigure until the respective countries completed negotiations concerning the coordination of new frequency plans that would permit the licensees within the United States to be relocated to different frequencies. In May 2008, the FCC adopted a reconfigured channel plan for the 800 MHz band along the United States-Canada border based on the international allocation of the 800 MHz spectrum that was negotiated by the two countries and established a 30-month transition period for reconfiguration of licensees in the United States-Canada border regions. In October 2008, the TA released, and the FCC subsequently approved, the Canadian Implementation Plan and timetable for the 800 MHz Reconfiguration along the United States-Canada border. The 30-month transition period started on October 14, 2008 and ended on April 14, 2011. Likewise, in April 2013, the FCC adopted a reconfigured channel plan for the 800 MHz band along the United States-Mexico

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[5] *Report and Order*.

[6] On July, 11, 2013, a wholly-owned subsidiary of Softbank Corporation ("Softbank") and Sprint Nextel Corporation merged to form Sprint Corporation, making Sprint Corporation a subsidiary of Softbank. Nextel Communications, Inc., Sprint Nextel Corporation, Sprint Corporation, and any subsidiary or successor to any of them are together referred to herein as "Sprint."

border based on the international allocation of the 800 MHz spectrum that was negotiated by the two countries and established a 30-month transition period for reconfiguration of licensees along the United States-Mexico border. In August 2013, the TA released, and the FCC approved, the Mexican Implementation Plan and timetable for the 800 MHz Reconfiguration along the United States-Mexico border. The 30-month transition period commenced on August 23, 2013 and ended on February 23, 2016.[7] The FCC has granted and continues to grant certain 800 MHz Incumbent Licensees additional time to complete their reconfigurations,

B. Affected Parties

The primary parties affected by the reconfiguration process include:

1. 800 MHz Incumbent Licensees

The FCC ordered the 800 MHz Incumbent Licensees to relocate their systems to comparable facilities on new frequencies and required Sprint to pay the reasonable and prudent expenses directly related to such relocations. To accomplish this, the 800 MHz Incumbent Licensees and Sprint negotiate and enter into Frequency Reconfiguration Agreements ("FRAs") and, if needed, Planning Funding Agreements ("PFAs"), (collectively "800 MHz Agreements").[8] The TA evaluates and approves the 800 MHz Agreements. In addition, at the completion of each reconfiguration, the TA evaluates the amounts expended to determine if those amounts are consistent with TA-approved amounts.

2. Sprint

Sprint is charged by the FCC with providing funding for the 800 MHz Reconfiguration, including expenditures relating to relocation of affected licensees, reconfiguration of many of Sprint's own 800 MHz operations, and other Program expenditures, such as TA and audit fees. To ensure reconfiguration of all affected licensees is completed, the FCC initially required Sprint to obtain an irrevocable letter of credit ("Letter of Credit") in the amount of $2.5 billion, and commit to fully funding the 800 MHz Reconfiguration. The amount of the Letter of Credit has been subsequently reduced for amounts paid by Sprint for costs to accomplish the relocation while also taking into account the then-current forecast of remaining costs to complete the 800 MHz Reconfiguration.

In addition, Sprint has received spectrum in the 1.9 GHz band and has relinquished spectrum in the 800 MHz band. At the culmination of reconfiguration, the FCC will make available to qualified entities the channels in the 800 MHz band surrendered by Sprint. To ensure that Sprint

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[7] *See* "Public Safety and Homeland Security Bureau Announces that the 30-Month Transition Period for 800 MHz Band Reconfiguration in Regions Along the U.S.-Mexico Border Will Commence on August 23, 2013," *Public Notice*, 28 FCC Rcd 12290 (2013).

[8] 800 MHz Agreements include any subsequent amendments.

does not realize any windfall gain, the FCC will require Sprint to pay into the U.S. Treasury an amount equal to the value of the 1.9 GHz spectrum it received ($4.86 billion) less the sum of: i) the net value of spectrum rights that Sprint has relinquished to the 800 MHz Incumbent Licensees ($2.059 billion); ii) the actual cost of 800 MHz band reconfiguration ("800 MHz Reconfiguration Program Expenditures"); and iii) net costs incurred by Sprint to clear the 1.9 GHz band, (the "Anti-Windfall Payment").

3. TA

The TA is an independent entity charged with administrative and financial aspects of the reconfiguration process and is a wholly-owned subsidiary of Baseline Wireless Services, LLC.[9] The TA contracted with Deloitte Consulting LLP, Squire Patton Boggs (US) LLP and Baseline Wireless Services, LLC to perform the duties of the TA. Among its duties, the TA establishes reconfiguration guidelines, specifies replacement channels, evaluates cost estimates, monitors payment of and evaluates 800 MHz licensee reconfiguration costs, assesses Sprint internal costs of relocation, manages the relocation schedule, facilitates issue resolution and administers the alternative dispute resolution process.

II. SIGNIFICANT ACCOUNTING PRINCIPLES

A. Final Accounting, Scope of 800 MHz Reconfiguration Statement of Program Expenditures and Basis of Accounting

The *Report and Order* originally provided that the Program would be completed by June 28, 2008, with a financial reconciliation or "Final Accounting" completed within six months thereafter to determine the amount of any Anti-Windfall Payment. The FCC subsequently deferred the Final Accounting until the conclusion of the 800 MHz Reconfiguration or such time as the TA determines that Sprint would not be required to pay any Anti-Windfall Payment. In addition, the FCC directed the TA to conduct the Anti-Windfall Payment calculation and issue an audited "true-up report" within six months of receipt of the necessary documentation from Sprint.[10]

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[9] Prior to May 8, 2009, the TA was a wholly-owned subsidiary of BearingPoint, Inc. The TA originally contracted with BearingPoint, Inc., Squire Sanders and Dempsey LLP and Baseline Wireless Services, LLC to perform the duties of the TA. Squire, Sanders and Dempsey L.L.P subsequently changed its name to Squire Sanders (US) LLP and ultimately to Squire Patton Boggs (US) LLP. As of May 8, 2009, Deloitte Consulting LLP, a subsidiary of Deloitte LLP, has replaced BearingPoint, Inc. as a contractor to the TA and, as a result, has assumed BearingPoint, Inc.'s responsibilities with respect to the Program. On May 20, 2009, the FCC approved the transfer of ownership of the TA to Baseline Wireless Services, LLC. The ownership transfer was made the same day. Improving Public Safety Communications in the 800 MHz Band, WT Docket No. 02-55, *Order*, 24 FCC Rcd 5739 (2009).

[10] *See, e.g.*, September 2014 Order, 29 FCC Rcd at 11556 ¶ 23.

The scope of the Statement of Program Expenditures includes 800 MHz Reconfiguration Program Expenditures: i) that have been submitted by Sprint to the TA for assessment and ii) assessed by the TA as allowable 800 MHz Reconfiguration Program Expenditures in accordance with the *Report and Order* ("Creditable Expenditures"). Additionally, the Statement of Program Expenditures includes 800 MHz Reconfiguration Program Expenditures that the TA estimates would be Creditable Expenditures upon the cutover to the new frequencies of the 800 MHz Incumbent Licensee's system and the FCC grant of the required licensing modifications to add the new frequencies and delete the old frequencies.[11]

Certain expenditures submitted by Sprint have been excluded from the Statement of Program Expenditures. These expenditures are excluded because additional information is needed from Sprint and/or certain 800 MHz Incumbent Licensees in order for the TA to complete its assessment. In addition, there are certain expenditures Sprint has not yet submitted to the TA for credit assessment. These expenditures may ultimately be assessed as Creditable Expenditures during a subsequent reporting period (See Notes VII and VIII). The Statement of Program Expenditures also excludes costs incurred by Sprint to clear the 1.9 GHz band, less any amounts reimbursed to Sprint. In accordance with the *Report and Order*, such costs are maintained by Sprint and are required to be audited on an annual basis.

The Statement of Program Expenditures represents Creditable Expenditures and Open Agreements – FCC Licensing Pending amounts presented on the cash basis method of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

B. 800 MHz Incumbent Reconfiguration Costs

The 800 MHz Incumbent Reconfiguration Costs reflect expenditures made by Sprint in accordance with the 800 MHz Agreements. These expenditures include payments:

- to 800 MHz Incumbent Licensees or their vendors, sales and use taxes, FCC filing fees and certain other costs Sprint is required to pay ("800 MHz Licensee Costs"); and

[11] *See, e.g.*, September 2014 Order, 29 FCC Rcd at 11556 ¶ 22. The FCC directed the TA to conduct an assessment of Sprint's expenditures and supporting documentation provided by the parties for reconfigurations where the system cutover to new frequencies has occurred and the required licensing modifications to add new frequencies and delete old frequencies have been granted, even if the FRAs for such reconfigurations are not yet closed and the final certifications have not been provided. For the periods ended December 31, 2013 and earlier, the TA classified 800 MHz Licensee Costs as "Closed Agreements" and "Open Agreements." As a result of the FCC's guidance, for periods ending after December 31, 2013, expenditures that would have previously been classified as "Open Agreements" are now categorized as either "Open Agreements - FCC Licensing Pending" or "Open Agreements - FCC Licensing Completed." *See* Note III.

- to equipment manufacturers for replacement equipment required by certain 800 MHz Incumbent Licensees because their equipment could not be retuned, as well as software to enable certain subscriber equipment to be retuned rather than replaced ("800 MHz Replacement Equipment Costs").

The 800 MHz Incumbent Reconfiguration Costs are reported in three categories:

- actual costs pursuant to 800 MHz Agreements that have closed ("Closed Agreements");

- actual costs pursuant to 800 MHz Agreements that have not yet closed but i) where the system has cutover to the new frequencies and ii) the required licensing modifications to add new frequencies and delete old frequencies have been granted ("Open Agreements - FCC Licensing Completed"); and

- advance payments pursuant to 800 MHz Agreements that are not Closed Agreements or Open Agreements – FCC Licensing Completed ("Open Agreements - FCC Licensing Pending").

Pursuant to the 800 MHz Agreements, prior to closing, the 800 MHz Incumbent Licensees are required to provide Sprint with the supporting documentation for their costs incurred in reconfiguration. Sprint and the 800 MHz Incumbent Licensees are also required to reconcile the estimated costs included in the 800 MHz Agreements to the actual costs supported ("Actual Costs") to determine any additional amounts due to the 800 MHz Incumbent Licensees or any refund due to Sprint (the "Actual Cost Reconciliation Process"). Certain payment terms included in the 800 MHz Agreements require Sprint to make advance payments prior to the completion of the Actual Cost Reconciliation Process.

The scope of the 800 MHz Incumbent Reconfiguration Costs reflected in the Statement of Program Expenditures is limited, and, accordingly, these amounts do not include all of the 800 MHz Incumbent Reconfiguration Costs incurred through December 31, 2015 that may ultimately be assessed as Creditable Expenditures during a subsequent reporting period (See II.A. above).

C. Sprint Costs

Sprint Costs reflect expenditures by Sprint for:

- Program Expenditures such as: i) Sprint's costs for broker and legal fees related to their negotiations with 800 MHz Incumbent Licensees; ii) systems development costs to support tracking and reporting of 800 MHz Reconfiguration activity and expenditures; and iii) Sprint's program and financial management costs, such as fees related to Sprint legal, management and coordination support, financial management and audit expenditures, and other program costs incurred by Sprint ("Program Costs"); and

(in thousands, unless otherwise noted)

- the reconfiguration of Sprint's systems in the 800 MHz band, such as installing improved filters in Sprint's 800 MHz base station transmitters and relocating Sprint operations to new channels ("Internal Network Costs").

The scope of the Sprint Costs reflected in the Statement of Program Expenditures is limited, and, accordingly, these amounts do not include all of the Sprint Costs incurred through December 31, 2015 that may ultimately be assessed as Creditable Expenditures during a subsequent reporting period (See II.A. above).

D. Letter of Credit Fees

Letter of Credit Fees reflect the costs of the Letter of Credit maintained by Sprint as security for payment of 800 MHz Incumbent Reconfiguration Costs. The Letter of Credit is scheduled to expire on February 19, 2018. The TA may initiate draws on the Letter of Credit to pay 800 MHz Incumbent Licensees or their vendors in the event that Sprint fails to make payment within 30 days of a payment obligation date and fails to demonstrate good cause for non-payment within 40 days of a payment obligation date. The initial amount of the Letter of Credit was established at $2.5 billion and may be reduced over the life of the Program, as Sprint's remaining payment obligations related to 800 MHz Incumbent Reconfiguration Costs are reduced.[12]

Letter of Credit Fees are governed by the credit agreement, as may be amended from time to time, that Sprint has entered into with its banks. As of December 31, 2015, the Letter of Credit costs accrue daily based on the Letter of Credit exposure, defined as the sum of: i) the undrawn amount of the outstanding Letter of Credit, plus ii) the aggregate amount of all disbursements made pursuant to the Letter of Credit not reimbursed by Sprint.

As of December 31, 2015, Letter of Credit Fees are comprised of the following fees:

Type of Fee	Percentage Range Inception through December 31, 2015		As of December 31, 2015
	Low	High	
Fronting Fee	0.10% per annum	0.25% per annum	0.15% per annum
Participation Fee	0.30% per annum	4.00% per annum	3.00% per annum
Facility Fee[13]	0.10% per annum	0.15% per annum	N/A

The participation fee varies depending on Sprint's corporate credit rating, as published by Standard & Poor's Rating Services and Moody's Investors Service, Inc.

[12] Initially, the *Report and Order* established a $850 million floor for the Letter of Credit. On October 1, 2014, in response to a Petition for Declaratory Ruling filed by Sprint, the FCC modified a condition on Sprint's licenses to eliminate the floor. *See* Sprint Nextel Corporation, Petition for Declaratory Ruling, WT Docket No. 02-55, *Order of Modification*, 29 FCC Rcd 11689, 11690 ¶ 5 (2014).

[13] As of November 3, 2008, pursuant to an amendment of the credit facility between Sprint and its banks, the Facility Fee was terminated.

(in thousands, unless otherwise noted)

E. 800 MHz Transition Administrator Fees & Expenses

TA Fees are billed in accordance with the TA's agreements with Sprint. Labor is billed at contractually agreed hourly rates and reasonable costs and expenses, including travel, are billed as incurred (See Note VI).

III. 800 MHz INCUMBENT RECONFIGURATION COSTS

Total 800 MHz Incumbent Reconfiguration Costs are as follows:

	For the Year Ended December 31, 2015	Inception Through December 31, 2015
800 MHz Licensee Costs		
Closed Agreements	$ 86,613	$ 420,907
Open Agreements - FCC Licensing Completed	133,068	405,587
Open Agreements - FCC Licensing Pending	(148,856)	184,941
Total 800 MHz Licensee Costs	70,825	1,011,435
800 MHz Replacement Equipment Costs		
Closed Agreements	44,411	128,251
Open Agreements - FCC Licensing Completed	100,968	175,922
Software Development	-	37,296
Total 800 MHz Replacement Equipment Costs	145,379	341,469
Total 800 MHz Incumbent Reconfiguration Costs	$ 216,204[14]	$ 1,352,904

[14] In 2015, $159.5 million of 800 MHz Licensee Costs for Open Agreements - FCC Licensing Pending were reclassified as Open Agreements - FCC Licensing Completed, while $38.2 million of the costs were reclassified as Closed Agreements. Additionally, $41.1 million of 800 MHz Licensee Costs for Open Agreements - FCC Licensing Completed were reclassified as Closed Agreements during the year. Furthermore, during 2015, $15.3 million of 800 MHz Replacement Equipment Costs for Open Agreements - FCC Licensing Completed were reclassified as Closed Agreements.

(in thousands, unless otherwise noted)

The amounts submitted to the TA for 800 MHz Replacement Equipment Costs and 800 MHz Licensee Costs, net of Amounts Open for More Information to Allow Credit Assessment (See Note VII), for the year ended December 31, 2015, included Creditable Expenditures of $168.4 million for Motorola Solutions and $4.4 million for Harris Corporation. Additionally, the amounts for the period of Inception through December 31, 2015, included $739 million for Motorola Solutions, $72.4 million for Harris Corporation and $8.7 million for M/A-COM, Inc., which was acquired by Harris Corporation on April 16, 2009.
Total 800 MHz Agreements compared to the 800 MHz Licensee Costs are as follows:

		Inception Through December 31, 2015
Planning Funding Agreements	$	98,846
Frequency Reconfiguration Agreements		1,121,799
Total 800 MHz Agreements		1,220,645
Less: 800 MHz Licensee Costs		1,011,435
800 MHz Licensee Costs available to be included in a subsequent Statement of Program Expenditures[15]	$	209,210

Total 800 MHz Agreements includes the total estimated costs in the TA-approved 800 MHz Agreements, as adjusted to reflect actual costs of the agreements that have closed. In comparison, 800 MHz Licensee Costs are the actual payments made pursuant to the 800 MHz Agreements, as adjusted by the Actual Cost Reconciliation process for agreements that have closed. The difference between the Total 800 MHz Agreements and 800 MHz Licensee Costs is an estimate of future costs that could be included in a subsequent Statement of Program Expenditures, subject to adjustment by the Actual Cost Reconciliation process, as additional 800 MHz Licensee Costs. In addition, the 800 MHz Incumbent Reconfiguration Costs amounts do not include all of the 800 MHz Incumbent Reconfiguration Costs incurred through December 31, 2015 and Sprint may ultimately submit to the TA additional amounts to be assessed as Creditable Expenditures during a subsequent reporting period (See Note VIII).

[15] The total 800 MHz Licensee Costs available to be included in a subsequent Statement of Program Expenditures include amounts that either (i) remain open for additional information to allow credit assessment (*see* Note VII) or (ii) have not been submitted by Sprint to the TA for credit assessment (*see* Note VIII).

(in thousands, unless otherwise noted)

IV. SPRINT COSTS

Total Sprint Costs are as follows:

	For the Year Ended December 31, 2015	Inception Through December 31, 2015
Program Costs	$ 23,531	$ 135,001
Internal Network Costs	-	123,564
Total Sprint Costs	$ 23,531	$ 258,565

The scope of the Sprint Costs reflected in the Statement of Program Expenditures is limited, and, accordingly, these amounts do not include all of the Sprint Costs incurred through December 31, 2015, which may ultimately be assessed as Creditable Expenditures during a subsequent reporting period (See Note II).

V. LETTER OF CREDIT FEES

At December 31, 2015, and December 31, 2014, the balance of the Letter of Credit was $255.8 million and $434.4 million, respectively. The Letter of Credit was reduced by $28.4 million on March 16, 2015, $29.8 million on June 19, 2015, $11.9 million on September 18, 2015, and $108.5 million on December 21, 2015. Through December 31, 2015, there were no draws or disbursements on the Letter of Credit. Letter of Credit Fees paid by Sprint for the year ended December 31, 2015 and for the period of Inception through December 31, 2015 are $12.5 million and $306 million, respectively.

VI. 800 MHz TRANSITION ADMINISTRATOR FEES AND EXPENSES

Fees for labor hours and expenses of the TA paid by Sprint for the year ended December 31, 2015, and for the period of Inception through December 31, 2015, are $19 million and $329.1 million, respectively.

VII. SUBMITTED PROGRAM EXPENDITURES (Unaudited)

The Statement of Program Expenditures includes Creditable Expenditures as well as Open Agreements – FCC Licensing Pending amounts (See Note II). In certain circumstances, the TA requires additional information in order to complete its credit assessment. If subsequently determined to be Creditable Expenditures or Open Agreements – FCC Licensing Pending, these amounts would be included in a subsequent Statement of Program Expenditures.

(in thousands, unless otherwise noted)

As of December 31, 2015, such expenditures are as follows:

	Expenditures Submitted for Credit Assessment	Amounts Assessed as Creditable Expenditures	800 MHz Licensee Costs: Open Agreements - FCC Licensing Pending	Amounts Open for More Information to Allow Credit Assessment
800 MHz Incumbent Reconfiguration Costs	$ 1,887,961	$ 1,167,963	$ 184,941	$ 535,057
Sprint Costs	313,817	258,565	-	55,252
Letter of Credit Fees	305,973	305,973	-	-
TA Fees & Expenses	329,124	329,124	-	-
Total Costs Submitted	$ 2,836,875	$ 2,061,625	$ 184,941	$ 590,309

Costs classified as "Amounts Open for More Information to Allow Credit Assessment" include $523 million pending additional information from Sprint and/or 800 MHz Licensees and $67 million pending the completion of specific milestones.

(in thousands, unless otherwise noted)

VIII. NOT YET SUBMITTED PROGRAM EXPENDITURES (Unaudited)

The Statement of Program Expenditures does not include all of the costs incurred through December 31, 2015 that may ultimately be submitted by Sprint to the TA and assessed as 800 MHz Reconfiguration Program Expenditures (See Note II). In order to be included in the Statement of Program Expenditures, the costs have to be paid by Sprint, submitted by Sprint to the TA for credit assessment, and assessed by the TA as Creditable Expenditures or Open Agreements – FCC Licensing Pending amounts.

In addition to the amounts open for additional information (See Note VII), certain costs have been incurred by December 31, 2015 but not yet paid ("Costs Incurred But Not Yet Paid or Submitted") are as follows:

Costs Incurred But Not Yet Paid or Submitted		**Inception Through December 31, 2015**
Letter of Credit Fees	$	22
TA Fees & Expenses		2,108
Total Costs Incurred But Not Yet Paid or Submitted	$	2,130

In addition, of the $209.2 million (Note III) of 800 MHz Licensee Costs available to be included in a subsequent Statement of Program Expenditures, $189.8 million have not yet been submitted by Sprint to the TA for credit assessment.

Sprint also estimates additional amounts that may be submitted for credit assessment in a future period ("Estimated – To Be Submitted Costs") are as follows:

Estimated – To Be Submitted Costs		**Inception Through December 31, 2015**
800 MHz Replacement Equipment Costs	$	40,488
Sprint Costs		70,632
Estimated – To Be Submitted Costs	$	111,120

The estimated 800 MHz Replacement Equipment Costs primarily relate to equipment purchased pursuant to fulfillment agreements entered into between Sprint and various manufacturers that is expected to be used in fulfillment of certain replacement equipment under the terms of 800 MHz Agreements, but has not yet been shipped to 800 MHz Incumbent Licensees. The estimated Sprint Costs include $24.8 million for Internal Network Costs and $45.8 million for Program Costs.

These estimated amounts may be subject to change, and the actual expenditures submitted for credit assessment in the future could be more or less than estimated. These amounts are the best estimates as of December 31, 2015, given the known events and circumstances at this point in time. Sprint has advised the TA that it is unable to estimate when the Estimated - To Be Submitted Costs will be submitted for credit. Ultimately, some of these costs may not be submitted for credit if submitted costs are such that no Anti-Windfall Payment is due.

During the period from Inception through December 31, 2015, Sprint has also advised the TA that it has incurred certain costs related to its internal network that Sprint may submit for credit at a later date ("To Be Determined Sprint Costs"). These costs relate to internal labor costs, Program Costs and amounts paid to Sprint's vendors and may be significant, but cannot be reasonably estimated at this time. Sprint has advised the TA that it is unable to estimate when the To Be Determined Sprint Costs can be reasonably estimated or will be submitted for credit. Ultimately, some of these costs may not be submitted for credit if submitted costs are such that no Anti-Windfall Payment is due.

The TA will assess the Costs Incurred But Not Yet Paid, 800 MHz Licensee Costs to be Submitted, Estimated – To Be Submitted Costs, and To Be Determined Sprint Costs (collectively "Not Yet Submitted Costs") if and when Sprint submits these costs, together with supporting documentation, for TA credit assessment. Any Not Yet Submitted Costs that are determined to be Creditable Expenditures or Open Agreements – FCC Licensing Pending would be included in a subsequent audited Statement of Program Expenditures.

IX. SUBSEQUENT EVENTS

Events that occur after December 31, 2015, but before the Statement of Program Expenditures was issued or available to be issued, must be evaluated for recognition or disclosure. All activities of the Program through November 30, 2016, (the date the Statement of Program Expenditures was available to be issued) were evaluated and the following subsequent events that require disclosures were identified.

A. Letter of Credit Fees

At December 31, 2015, the amount of the Letter of Credit was $255.8 million. On August 17, 2016, the amount of the Letter of Credit was reduced to $226.3 million. On October 7, 2016, the amount of the Letter of Credit was further reduced to $188.5 million.

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Statement of Program Expenditures Performed in Accordance with *Government Auditing Standards*

To 800 MHz Transition Administrator, LLC:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Statement of Program Expenditures of the 800 MHz Reconfiguration Program (Program) for the year ended December 31, 2015, and for the period from August 6, 2004 (Inception) through December 31, 2015, and have issued our report thereon dated November 30, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the Statement of Program Expenditures, we considered Sprint Corporation's ("Sprint") and the 800 MHz Transition Administrator, LLC's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Statement of Program Expenditures, but not for the purpose of expressing an opinion on the effectiveness of Sprint's and the 800 MHz Transition Administrator, LLC's internal control. Accordingly, we do not express an opinion on the effectiveness of Sprint's and the 800 MHz Transition Administrator, LLC's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Statement of Program Expenditures is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, including the Federal Communications Commission *Improving Public Safety Communications in the 800 MHz Band,* Report and Order, Fifth Report and Order, Fourth Memorandum Opinion and Order, and Order, 19 FCC Rcd 14969 (2004), as amended, modified and supplemented, noncompliance with which could have a direct and material effect on the determination of Program expenditures. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings as item 2015-001.

Management's Response to the Finding

TA's response to the finding identified in our audit is described in the accompanying Schedule of Findings. The TA's response was not subject to the auditing procedures applied during the audit of the Statement of Program Expenditures and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Sprint's and the 800 MHz Transition Administrator, LLC's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing* Standards in considering Sprint's and the 800 MHz Transition Administrator, LLC's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CohnReznick LLP

Bethesda, Maryland
November 30, 2016

Schedule of Findings
2015-001

Condition:

The 800 MHz Reconfiguration Program (Program) audit populations, as prepared by the TA, improperly included and/or excluded certain Program costs and contained mathematical errors. The following audit populations were affected:

- FY 2015 Actual Payments Made;
- ITD 2015 Schedule C Open Contracts;
- 4Q15 Approved and Executed Contracts;
- FY 2015 Other Sprint Costs;
- ITD 2015 Filing Fees;
- ITD 2015 Ventera Costs;
- FY 2015 Internal Labor Costs; and
- FY 2015 Motorola Schedule D Equipment (Open and Closed) Costs.

Criteria:

1. The Federal Communications Commission (FCC) issued the *800 MHz Report and Order* (Report & Order) states: "The TA shall provide an accounting of the funds spent to reconfigure the systems of incumbent operators in the 800 MHz band, including its own salary and expenses." [16]

2. The FCC *Supplemental Order and Order on Reconsideration* to the Report & Order states: "The Transition Administrator may authorize the disbursement of funds for any reasonable and prudent expense directly related to the retuning of a specific 800 MHz system."[17]

3. The TA's *FCC 800 MHz Band Reconfiguration Cost Classification Policy v.1.0* states:

a. "All licensee reconfiguration costs must be included in a Request for Planning Funding or a Cost Estimate and are subject to negotiation with Sprint Nextel and approval by 800 MHz Transition Administrator, LLC."

b. "One of the TA's duties is to obtain and review estimates from licensees regarding the cost of reconfiguring their systems. As part of the TA's cost estimate review process, the TA has the power to request additional supporting

[16] Improving Public Safety Communications in the 800MHz Band, *Report and Order, Fifth Report and Order, Forth Memorandum Opinion and Order, And Order*, 19 FCC Rcd 14969 (2004), para.35.
[17] Improving Public Safety Communications in the 800MHz Band, *Supplemental Order and Order on Reconsideration*, FCC 04-294 (2004), para 71.

documentation and data from a licensee. The Transition Administrator will review the estimate - including an analysis to ensure that the estimate does not exceed the cost of providing comparable facilities."[18]

4. AU 110.03, *Responsibilities and Functions of the Independent Auditor* states: "[Financial] management is responsible for adopting sound accounting policies and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process and report transactions consistent with management's assertions embodied in the financial statements."[19]

Cause:

In performing our audit for the fiscal year-ending 2015, we found that the TA did not perform adequate management oversight, during the period January 2016 through May 2016, to ensure audit populations were accurate and contained only TA-approved costs. The lack of management oversight resulted in the following items identified in certain audit populations:

- Costs were not reviewed and/or approved for creditability;
- Costs were incorrectly classified in various audit populations;
- Costs were duplicated across audit populations; and
- Audit populations contained mathematical errors.

Effect:

The Statement of Program Expenditures beginning balances for the affected costs were either overstated or understated. Had the Condition not been identified during the audit, the Statement of Program Expenditures may have been materially misstated.

Recommendations:

CohnReznick recommends that the TA perform the following activities to mitigate future recurrence of the Condition noted above:

1. Evaluate credit assessment and overall review procedures to ensure complete and accurate Program accounting over TA-approved costs and audit populations;

2. Ensure relevant TA finance personnel are adequately trained on their respective TA responsibilities; and

3. Develop and implement a checklist to ensure that audit populations are complete, accurate and adequately reviewed.

[18] 800MHz Transition Administrator, "Cost Classification Policy v.1.0", http://www.800ta.org/content/resources/Cost_Classification_Policy.pdf, (November 9,2016).
[19] Public Company Accounting Oversight Board. "AU Section 110 Responsibilities and Functions of the Independent Auditor", https://pcaobus.org/Standards/Auditing/Pages/AU110.aspx (November 9,2016).

Management's Response to the Finding:

The TA does not agree with the auditor's finding. During the time period identified by the auditor, the TA Finance Team staff prematurely communicated with the auditors regarding certain elements of the Financial Statements prior to the completion of TA Finance Team management review. The TA believes that the issues raised by the auditors are largely the result of misunderstandings and miscommunications among the parties.

In addition, the determination of the severity of an internal control deficiency is a matter of professional judgment. The TA believes that the auditor should have considered internal controls that had not yet operated. AICPA AU-C 940 paragraph .A95 states, "A compensating control can limit the severity of a deficiency in [Internal Control over Financial Reporting] and prevent it from being a material weakness. Only compensating controls that operate at a level of precision that would prevent, or detect and correct, a material misstatement are capable of having a mitigating effect. Although compensating controls can mitigate the effects of a deficiency in ICFR, they do not eliminate the deficiency." The TA had compensating controls in place to validate the final amounts in the Financial Statements. As such, the TA believes that it was premature to raise the issues because TA financial management review of the draft financial statements was ongoing and internal controls had separately identified certain other matters that needed to be clarified with the auditors.

Finally, in addition to being limited in timeframe, the issues raised by the auditors are also limited in scope. Specifically, the issues raised are limited to the preparation and submission of audit populations to the auditors. This is a mechanical step in the preparation of the Statement of Program Expenditures and would not have affected any other TA functions and responsibilities. Thus, the TA does not accept that the issues identified by the auditors had a reasonable possibility of not being detected in the ordinary course of business or that there were weaknesses in internal control over financial reporting. There were other adjustments to the financial statements identified by the TA that were presented to the auditors in the normal course of the audit, thus demonstrating that the TA's controls were effective and precise.

Nonetheless, the TA has implemented the Recommendations, as well as designated a specific finance manager to be the primary interface with the auditors. This will mitigate the potential for the issues to arise again and ensure that miscommunications of this nature do not recur and any misunderstandings are promptly addressed.